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DE RUEHAH #0819/01 1811220

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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 3068

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUCNCIS/CIS COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RUEHAK/AMEMBASSY ANKARA 5377

RUEHBJ/AMEMBASSY BEIJING 3105

RUEHKO/AMEMBASSY TOKYO 2970

RUEHIT/AMCONSUL ISTANBUL 3621

RUCPDOG/DEPT OF COMMERCE WASHDC

RHEHNSC/NSC WASHDC

RHMCSUU/CDR USCENCOM MACDILL AFB FL

RUEAIIA/CIA WASHDC

RHEFDIA/DIA WASHDC

RUEKJCS/JOINT STAFF WASHDC

RUEKJCS/SECDEF WASHINGTON DC

RUEHVEN/USMISSION USOSCE 3671

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000819

SIPDIS

STATE FOR SCA/CEN, EEB

E.O. 12958: DECL: 06/30/2019

TAGS: [PGOV](#) [PREL](#) [EAGR](#) [EIND](#) [TX](#) [KZ](#)

SUBJECT: TURKMENISTAN: FOR CATERPILLAR, DOING BUSINESS  
ISN'T EASY, BUT WORTH IT

REF: A. ASHGABAT 0769

[1](#)B. 08 ASHGABAT 0530

Classified By: Charge Richard Miles, reasons 1.4 (B) and (D).

[1](#)1. (C) SUMMARY: Turkmenistan does not buy from U.S. heavy equipment manufacturer Caterpillar on a regular basis, but when there are purchases, they are significant. Caterpillar shows its appreciation for Turkmenistan's business by donating simulators, equipment, and tools for educational use and by sending government officials on trips to plants and service centers, preferably those located near beaches and good shopping areas. In spite of the complications of working with the government, Caterpillar is interested in implementing more U.S. Trade and Development Agency (USTDA) capacity-building projects. Official agreements signed by the company and President Berdimuhamedov serve an important function of signaling to ministries that they have a green light to do business. The company has to jump through a lot of hoops in order to do business in Turkmenistan, but the volume of that business makes it worth the trouble. END SUMMARY.

CATERPILLAR IN TURKMENISTAN

[1](#)2. (C) Sales and Marketing Representative from Caterpillar's Central Asia District Office in Almaty Konstantin Delver and Zeppelin Caterpillar Sales Manager Uwe Guenther (please protect both throughout) said in a meeting on June 29 that Caterpillar's share of Turkmenistan's heavy equipment market is between 50 and 60 percent, with Japanese company Komatsu and various Russian and Chinese manufacturers Caterpillar's most significant competition. (NOTE: German distributor Zeppelin represents and distributes Caterpillar equipment in Turkmenistan. END NOTE.) Over the past 18 months, Volvo, Hyundai, and JCB have opened offices in Ashgabat and are gearing up to grab market share as well. Caterpillar owns the company Solar Turbines Inc., which produces compressor station turbines for the oil and gas industry, and is a supplier to the Chinese pipeline project.

OBSERVATIONS ON TURKMENISTAN'S BUDGET AND BUSINESS ENVIRONMENT

¶3. (C) Delver said that payments from Turkmen ministries are often late, because "the ministries don't have money...especially to pay for services." He added that payments from the provinces arrive on a more timely basis because the central government allocated the provinces an operating budget. Guenther -- originally from the German Democratic Republic -- said that poor maintenance practices in Turkmenistan cut the working life of Caterpillar machinery short and noted that Turkmen government officials prefer to buy new equipment, unlike his customers in the private sector.

2008 WAS A VERY GOOD YEAR

¶4. (C) Zeppelin Caterpillar concluded large contracts with the Turkmen government in 2008: Turkmen Motor Roads State Concern purchased 215 units and the Ministry of Railway Transportation signed a contract for 34 units. Delver explained that Zeppelin donated some equipment as an alternative to reducing equipment prices during the negotiation process. The company refuses to give into the government's insistence on discounts because of its strategy to sell on the basis of service and quality, not price. Delver singled out Turkmenistan's purchase of 40 units of the M-series road grader. Significantly, the Turkmen Motor Roads State Concern was the first country in the former Soviet Union to purchase these graders, which are four-wheel-drive state-of-the-art equipment operated by joysticks and not levers. Delver explained that Turkmenistan is also purchasing compactors and wheel loaders primarily for use on Avaza projects (Ref A) and highway construction.

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CAPACITY BUILDING: DIFFICULT, BUT HAS TO BE DONE

¶5. (C) Delver said that Caterpillar is contributing to capacity building in Turkmenistan through donating equipment, such as two simulators -- an excavator and a motor grader -- to the Agricultural University. He was disappointed that the company's donation of communications equipment to the Ministry of Communications has not resulted in a more significant improvement of the company's Internet service, but hinted that this may also be connected with the misdeeds of a former employee (Ref B). Delver thought that a previous training program supported by a U.S. Trade and Development Agency (USTDA) grant and led by a retired Caterpillar employee was a positive experience in light of the knowledge shared and the opportunity to educate Turkmen. He added that Caterpillar would be interested in implementing more USTDA grants. However, Delver acknowledged that implementing such programs is difficult. The Turkmen government did not make it easy to come to agreement on when and where the training would take place, and the Ministry of Agriculture and the Ministry of Water Management wanted Caterpillar to pay for the students' accommodations and food. Delver also explained how \$80,000 worth of Caterpillar-donated tools, that the trainer would have used in this program, were stuck in Customs for several months because of \$150 in fees that the Ministry of Agriculture wanted Caterpillar to pay.

INCENTIVIZING BUSINESS: TRIPS

¶6. (C) Delver said that in years when the company concludes contracts in Turkmenistan, Caterpillar organizes visits to their plants and service centers for ministry officials. Delver took six people from Turkmen Motor Roads State Concern, the Ministry of Railway Transportation, the Ministry of Water Management, and the Cabinet of Ministers on such a trip to Malaga, Spain in 2008. Two and a half days were spent in Caterpillar facilities, and the remainder of the week was set aside for recreational activities such as visits to the beach and shopping. Delver said that in his experience, it is not uncommon that a ministry department head has never traveled outside Turkmenistan, and these trips are a good incentive for officials to continue doing business with Caterpillar.

MEETING OF CATERPILLAR CEO AND BERDIMUHAMEDOV IN 2010

¶7. (C) Delver said that the Chief Executive Officer of Caterpillar last visited Turkmenistan in 2003, when he and former President Niyazov signed an agreement for Turkmenistan's purchase of 200 units a year. Delver said that he would like to see President Berdimuhamedov and Caterpillar's Chief Executive Officer meet in Turkmenistan in ¶2010. Delver added that if the President attends the UN General Assembly in New York in fall 2009, the head of Caterpillar will want to meet Berdimuhamedov there as well. Delver also explained that official, signed agreements are very helpful for moving more business because they show to ministry and agency officials that a company has the green light in Turkmenistan.

¶8. (C) COMMENT: Delver and Guenther illustrate how many companies build a business in Turkmenistan: flexibility on payment terms, emphasis on long-term relationship and partnership, respect for authority (the President), wine-and-dine trips abroad, and donating equipment and training for education purposes. The amount of business in Turkmenistan makes it worth it for them to jump through these hoops. END COMMENT.  
MILES